

CITY OF BRITT

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS

JUNE 30, 2020

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## CITY OF BRITT

### OFFICIALS

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ryan Arndorfer	Mayor	Jan 2020
Curt Gast	Mayor Pro tem	Jan 2020
Karrie Wallen	Council Member	Jan 2020
Stacy Swenson	Council Member	Jan 2020
Paul Verbrugge	Council Member	Jan 2022
Chad Luecht	Council Member	Jan 2022
Debra Sawyer	City Administrator/Clerk	Indefinite
Staci Ball	Deputy City Clerk	Indefinite
Jane Swenson	Treasurer	Indefinite
Earl Hill	Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Ryan Arndorfer	Mayor	Jan 2022
Curt Gast	Mayor Pro tem	Jan 2024
Karrie Wallen	Council Member	Jan 2024
Stacy Swenson	Council Member	Jan 2024
Paul Verbrugge	Council Member	Jan 2022
Chad Luecht	Council Member	Jan 2022
Debra Sawyer	City Administrator/Clerk	Indefinite
Elizabeth Ibarra	Deputy City Clerk	Indefinite
Jane Swenson	Treasurer	Indefinite
Earl Hill	Attorney	Indefinite



# Fort & Schlegel C.P.A., P.C.

## CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Britt, Iowa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Britt as of June 30, 2020, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

800 1st Ave. S  
Fort Dodge, IA  
515.955.5560

3131 Main St.  
Emmetsburg, IA  
712.852.4464

109 2nd St. NE  
Mason City, IA  
641.423.7155

516 N. Water St.  
Goldfield, IA  
515.825.3339

4 Main Ave. S  
Britt, IA  
641.843.3729



## Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Britt's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2019 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 6 through 12 and 31 through 35 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2021 on our consideration of City of Britt's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Britt's internal control over financial reporting and compliance.

March 29, 2021



Fort & Schlegel C.P.A., P.C.  
Britt, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Britt provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 29.1%, or \$797,120, from fiscal 2019 to fiscal 2020. Bond proceeds decreased \$795,816.
- Disbursements decreased 26.9% or \$699,218 in fiscal 2020 from fiscal 2019. Culture and recreation and capital projects disbursements decreased \$51,954 and \$623,734, respectively.
- The City's total cash basis net position increased 16.2%, or \$242,913 from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased \$117,880 and the cash basis net position of the business type activities increased by \$125,033.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.



Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and City's proportionate share of the net pension liability and related contributions

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

## **Basis of Accounting**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.



## *Fund Financial Statements*

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Storm Water funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$1,408,988 to \$1,526,869. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

<b>Changes in Cash Basis Net Position of Governmental Activities</b>		
	<b>Year ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Receipts:		
Program receipts:		
Charges for service	\$161,615	197,434
Operating grants, contributions and restricted interest	298,569	322,560
General receipts:		
Property tax	1,016,801	946,992
Local option sales tax	271,912	230,388
Commercial/industrial tax replacement	47,216	75,400
Unrestricted investment earnings	15,189	8,253
Bond proceeds		795,816
Other general receipts	131,607	163,186
Total receipts	1,942,909	2,740,029

Disbursements:		
Public safety	385,937	421,642
Public works	451,003	516,980
Health and social services	5,300	5,300
Culture and recreation	215,963	267,917
Community and economic development	135,984	104,911
General government	238,656	259,797
Debt service	412,459	344,236
Capital projects	49,727	673,464
Total disbursements	<u>1,895,029</u>	<u>2,594,247</u>
Change in cash basis net position before transfers	47,880	145,782
Transfers, net	<u>70,000</u>	<u>50,000</u>
Change in cash basis net position	117,880	195,782
Cash basis net position beginning of year	<u>1,408,989</u>	<u>1,213,207</u>
Cash basis net position end of year	<u>\$1,526,869</u>	<u>1,408,989</u>

The City's total receipts for governmental activities decreased by 29.1% or \$797,120. The total cost of all programs and services decreased by \$699,218 or 26.9%.

The cost of all governmental activities this year was \$1.90 million compared to \$2.59 million last year. However, as shown in the Statement of Activities and Net Position on page 14, the amount taxpayers ultimately financed for these activities was \$1,434,845, because some of the cost was paid by those directly benefited from the programs (\$161,615) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$298,569). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2020 from \$519,994 to \$460,184.

<b>Changes in Cash Basis Net Position of Business Type Activities</b>		
	<b>Year ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Receipts:		
Program receipts:		
Charges for service:		
Water	\$249,233	235,358
Sewer	315,075	307,728
Storm water	62,298	56,473
General receipts:		
Unrestricted interest on investments	<u>12,435</u>	<u>11,785</u>
Total receipts	<u>639,041</u>	<u>611,344</u>

Disbursements:		
Water	180,413	214,317
Sewer	244,158	167,171
Storm water	19,437	1,306
Total disbursements	<u>444,008</u>	<u>382,794</u>
Change in cash basis net position before transfers	195,033	228,550
Transfers, net	<u>(70,000)</u>	<u>(50,000)</u>
Change in cash basis net position	125,033	178,550
Cash basis net position beginning of year	<u>955,094</u>	<u>776,544</u>
Cash basis net position end of year	<u>\$1,080,127</u>	<u>955,094</u>

Total business type activities receipts for the fiscal year were \$639,041 compared to \$611,344 last year. Total disbursements for the fiscal year increased by 16.0% to a total of \$61,214. The cash balance increased by \$125,033 during the fiscal year compared to an increase of \$178,550 last year.

## INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Britt completed the year, its governmental funds reported a combined fund balance of \$1,526,869, an increase of \$117,880 from last year's total of \$1,408,989. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$75,391 from the prior year to \$120,668 mainly due to transfers in.
- The Road Use Tax Fund cash balance decreased by \$50,356 to \$233,792 during the fiscal year. The City intends to use this money to upgrade the condition of City roads.
- The Local Option Tax Fund cash balance increased by \$118,886 to \$741,289. To be used per provisions as voted upon.
- The Capital Projects Fund cash balance decreased by \$47,880 to \$89,244.
- The Debt Service Fund cash balance increased by \$2,280 to \$92,008 during the fiscal year to be used for debt service.



## INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$77,283 to \$371,243 during the fiscal year and will be used to maintain service and repair the water system.
- The Sewer Fund cash balance increased by \$4,889 to \$610,856 during the fiscal year and will be used to maintain service and repair the sewer system.
- The Storm Water Fund cash balance increased by \$42,861 to \$98,028.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 22, 2020 and resulted in an increase in operating disbursements to provide for additional costs in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City exceeded the amounts budgeted in the health and social services and general government functions.

## DEBT ADMINISTRATION

At June 30, 2020, the City had \$2,070,000 in general obligation bonds, compared to \$2,413,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2020	2019
General obligation bonds and short-term borrowing	\$2,070,000	2,413,000

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$2,070,000 compared to its constitutional debt limit of \$4,926,445.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Britt's elected and appointed officials and citizens considered many factors when setting the fiscal year 2021 budget, tax rates, and fees that will be charged for various City activities.

These among other economic factors were taken into account when adopting the budget for fiscal year 2021. Amounts available for appropriation in the operating budget are \$3 million, an increase of 11.3% from the final 2020 budget. Budgeted disbursements are expected to increase by approximately \$580,000 over 2020 actual.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$343,000 by the close of 2021. Actual amounts can and usually do differ from budgeted amounts.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Debra Sawyer, City Administrator/Clerk, 170 Main Avenue South, Britt, Iowa.

## BASIC FINANCIAL STATEMENTS



## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>						
Governmental activities:						
Public safety	\$ 385,937		3,328	(382,609)		(382,609)
Public works	451,003	153,772	265,946	(31,285)		(31,285)
Health and social services	5,300			(5,300)		(5,300)
Culture and recreation	215,963	7,843	29,295	(178,825)		(178,825)
Community and economic development	135,984			(135,984)		(135,984)
General government	238,656			(238,656)		(238,656)
Debt service	412,459			(412,459)		(412,459)
Capital projects	49,727			(49,727)		(49,727)
Total governmental activities	1,895,029	161,615	298,569	(1,434,845)		(1,434,845)
Business type activities:						
Water	180,413	249,233			68,820	68,820
Sewer	244,158	315,075			70,917	70,917
Storm Water	19,437	62,298			42,861	42,861
Total business type activities	444,008	626,606			182,598	182,598
Total	\$ 2,339,037	788,221	298,569	(1,434,845)	182,598	(1,252,247)
<b>General Receipts and Transfers:</b>						
Property tax levied for:						
General purposes				516,501		516,501
Employee benefits and insurance				120,599		120,599
Debt service				355,383		355,383
Capital improvement reserve				24,318		24,318
Local option sales tax				271,912		271,912
Commercial/industrial tax replacement				47,216		47,216
Unrestricted interest on investments				15,189	12,435	27,624
Miscellaneous				131,607		131,607
Transfers, net				70,000	(70,000)	
Total general receipts and transfers				1,552,725	(57,565)	1,495,160
Change in cash basis net position				117,880	125,033	242,913
Cash basis net position beginning of year				1,408,989	955,094	2,364,083
Cash basis net position end of year				\$ 1,526,869	1,080,127	2,606,996
<b>Cash Basis Net Position</b>						
Restricted:						
Expendable:						
Streets				\$ 233,792		233,792
Debt service				92,008		92,008
Other purposes				995,623		995,623
Unrestricted				205,446	1,080,127	1,285,573
Total cash basis net position				\$ 1,526,869	1,080,127	2,606,996

See notes to financial statements.

## City of Britt

## Exhibit B

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue					
	General	Road Use Tax	Local Option	Debt Service	Capital Projects	Nonmajor
						Total
Receipts:						
Property tax	\$501,589			355,383		159,829
Other city tax			271,912			
Licenses and permits	18,616					
Use of money and property	17,720		3,655			
Intergovernmental	56,476	265,946		16,926		6,437
Charges for services	161,615					
Special assessments				18,620		
Miscellaneous	47,295		18,762		1,847	20,281
Total receipts	803,311	265,946	294,329	390,929	1,847	186,547
Disbursements:						
Operating:						
Public safety	313,482					72,455
Public works	118,610	292,492				39,901
Health and social services	5,300					
Culture and recreation	201,180					14,783
Community and economic development	33,016		65,443			37,525
General government	213,263					25,393
Debt service				412,459		
Capital projects					49,727	
Total disbursements	884,851	292,492	65,443	412,459	49,727	190,057
Excess (deficiency) of receipts over (under) disbursements	(81,540)	(26,546)	228,886	(21,530)	(47,880)	(3,510)
Other financing sources (uses):						
Transfers in	195,622			23,810		38,691
Transfers out	(38,691)	(23,810)	(110,000)			(15,622)
Total other financing sources (uses)	156,931	(23,810)	(110,000)	23,810		23,069
Change in cash balance	75,391	(50,356)	118,886	2,280	(47,880)	19,559
Cash balances beginning of year	45,277	284,148	622,403	89,728	137,124	230,309
Cash balances end of year	\$120,668	233,792	741,289	92,008	89,244	249,868
<b>Cash Basis Fund Balances</b>						
Restricted For:						
Debt service				92,008		
Streets		233,792				
Other purposes			741,289		89,244	165,090
Unassigned	120,668					84,778
Total cash basis fund balances	\$120,668	233,792	741,289	92,008	89,244	249,868

See notes to financial statements.

## City of Britt

Statement of Cash Receipts, Disbursements and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2020

	Enterprise Funds			
	Water	Sewer	Storm Water	Total
Operating receipts:				
Charges for service	\$ 249,233	315,075	62,298	626,606
Total operating receipts	249,233	315,075	62,298	626,606
Operating disbursements:				
Business type activities	180,413	244,158	19,437	444,008
Total operating disbursements	180,413	244,158	19,437	444,008
Excess of operating receipts over operating disbursements	68,820	70,917	42,861	182,598
Non-operating receipts:				
Interest on investments	8,463	3,972		12,435
Excess of receipts over disbursements	77,283	74,889	42,861	195,033
Transfers in	50,000	60,000		110,000
Transfers out	(50,000)	(130,000)		(180,000)
Change in cash balances	77,283	4,889	42,861	125,033
Cash balances beginning of year	293,960	605,967	55,167	955,094
Cash balances end of year	\$ 371,243	610,856	98,028	1,080,127
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 371,243	610,856	98,028	1,080,127
Total cash basis fund balances	\$ 371,243	610,856	98,028	1,080,127

See notes to financial statements.



# CITY OF BRITT

## Notes to Financial Statements

June 30, 2020

### (1) Summary of Significant Accounting Policies

The City of Britt is a political subdivision of the State of Iowa located in Hancock County. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City of Britt also provides water and sewer utilities for its citizens.

#### A. Reporting Entity

For financial reporting purposes, City of Britt has included all funds, organizations, agencies, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Britt has no component units which meet the Governmental Accounting Standards Board criteria.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Hancock County Assessor's Conference Board and Hancock County Development Commission, Hancock County Disaster/911 and Hancock County Task Force.

#### B. Basis of Presentation

Government-wide Financial Statements – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* are subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF BRITT  
Notes to Financial Statements  
June 30, 2020

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Local Option Tax Fund is used to account for local option sales tax collected.

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:



CITY OF BRITT  
Notes to Financial Statements  
June 30, 2020

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Storm Water accounts for the operation and maintenance of the City's storm sewer system.

C. Measurement Focus and Basis of Accounting

The City of Britt maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances:

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.



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Notes to Financial Statements  
June 30, 2020

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in health and social services and general government functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk-The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

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Notes to Financial Statements  
June 30, 2020

**(3) Bonds Payable**

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due, Within One Year
Governmental activities:					
General Obligation Bonds	<u>\$2,413,000</u>		<u>343,000</u>	<u>2,070,000</u>	<u>359,000</u>

General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	Street Improvement Issued September 18, 2012			1st Street Issued September 29, 2011			General Obligation Bond Refunding Capital Loan Notes, Series 2012 Issued May 7, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.95%	\$ 19,000	1,806	3.15%	\$ 80,000	11,892	2.00%	\$130,000	5,637
2022	1.95	20,000	1,437	3.35	85,000	9,373	2.25	135,000	3,038
2023	2.55	20,000	1,045	3.55	90,000	6,525			
2024	2.55	21,000	535	3.70	90,000	3,330			
2025									
2026									
2027									
2028									
2029									
2030									
Total		<u>\$ 80,000</u>	<u>4,823</u>		<u>345,000</u>	<u>31,120</u>		<u>265,000</u>	<u>8,675</u>

Year Ending June 30,	Capital Loan Notes Series 2017 Issued May 4, 2017			Urban Renewal Bonds Series 2018 Issued October 16, 2018			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	2.30%	\$ 60,000	18,710	2.50%	\$ 70,000	23,310	\$ 359,000	61,355	420,355
2022	2.50	60,000	17,330	2.50	70,000	21,560	370,000	52,738	422,738
2023	2.70	60,000	15,830	2.70	75,000	19,810	245,000	43,210	288,210
2024	3.00	60,000	14,210	2.70	75,000	17,784	246,000	35,859	281,859
2025	3.20	65,000	12,410	2.90	80,000	15,760	145,000	28,170	173,170
2026	3.40	65,000	10,330	2.90	80,000	13,440	145,000	23,770	168,770
2027	3.70	70,000	8,120	3.10	85,000	11,120	155,000	19,240	174,240
2028	3.90	70,000	5,530	3.10	85,000	8,485	155,000	14,015	169,015
2029	4.00	70,000	2,800	3.25	90,000	5,850	160,000	8,650	168,650
2030				3.25	90,000	2,925	90,000	2,925	92,925
Total		<u>\$580,000</u>	<u>105,270</u>		<u>800,000</u>	<u>140,044</u>	<u>2,070,000</u>	<u>289,932</u>	<u>2,359,932</u>



CITY OF BRITT  
Notes to Financial Statements  
June 30, 2020

On September 18, 2012, the City issued \$222,000 of general obligation bonds with interest rates ranging from 0.75% to 2.55% per annum. The bonds were issued for street repairs. During the year ended June 30, 2020, the City paid \$18,000 of principal and \$2,157 of interest on the bonds.

On September 29, 2011, the City issued \$930,000 of general obligation bonds with interest rates ranging from 0.93% to 3.70% per annum. The bonds were issued for street improvements. During the year ended June 30, 2020, the City paid \$80,000 of principal and \$14,253 of interest on the bonds.

On May 22, 2012, the City issued \$1,290,000 of general obligation bonds with interest rates ranging from 0.60% to 2.25% per annum. The bonds were issued to refund 2007 and 2008 bonds. During the year ended June 30, 2020, the City paid \$130,000 of principal and \$8,043 of interest on the bonds.

On May 4, 2017, the City issued \$860,000 of general obligation bonds with interest rates ranging from 1.5% to 4.0% per annum. The bonds were issued for multiple City projects. During the year ended June 30, 2020, the City paid \$115,000 of principal and \$21,397 of interest on the bonds.

On October 16, 2018, the City issued \$800,000 of general obligation bonds with interest rates ranging from 2.5% to 3.25% per annum. The bonds were issued to pay the costs of aiding in planning, undertaking and carrying out of the Urban Renewal area. During the year ended June 30, 2020, the City paid \$23,310 of interest on the bonds.

#### **(4) Pension Plan**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:



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Notes to Financial Statements  
June 30, 2020

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of pay and the City contributed 9.44% for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

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Notes to Financial Statements  
June 30, 2020

The City's contributions to IPERS for the year ended June 30, 2020 were \$54,232.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$251,590 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.0043448%, which was an increase of 0.000204% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$73,127, \$65,830 and \$82,498 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 3.00% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Table with MP-2017 general adjustments.

The long-term expected rate of return on IPERS investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:



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Notes to Financial Statements  
June 30, 2020

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.31
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0 %) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$586,634	251,590	(29,267)

**IPERS' Fiduciary Net Position** - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

## (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. Sick leave hours are accumulated for subsequent use but are not paid upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time termination payments payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:



# CITY OF BRITT

## Notes to Financial Statements

June 30, 2020

<u>Type of Benefit</u>	<u>Amount June 30, 2020</u>
Vacation and Comp Time	<u>\$ 26,327</u>

This liability has been computed based on rates of pay as of June 30, 2020.

### (6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Emergency	\$ 15,622
	Enterprise:	
	Sewer	130,000
	Water	50,000
		<u>195,622</u>
Special Revenue:		
Employee Benefits	General	<u>38,691</u>
Road Use Tax	Debt Service	<u>23,810</u>
Enterprise:	Special Revenue:	
Water	Local Option Sales Tax	50,000
Sewer		60,000
		<u>110,000</u>
Total		<u>\$368,123</u>

### (7) Related Party Transactions

The City had business transactions between the City and City officials totaling \$8,655 during the year ended June 30, 2020.

### (8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

# CITY OF BRITT

## Notes to Financial Statements

June 30, 2020

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on the cash basis, the Pool's general and administrative expenses, claims, claim expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member. The City ended coverage with ICAP on April 1, 2020.

The City of Britt also carries commercial insurance purchased from other insurers for surety bond coverage. The City assumes liability for any deductibles and claims in excess of coverage limitations.



# CITY OF BRITT

## Notes to Financial Statements

June 30, 2020

### (9) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$79,816 and plan members eligible for benefits contributed \$17,8108 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by City of Britt and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Active employees	<u>10</u>
Total	<u>10</u>

### (10) Deferred Compensation Agreements

The City offers all City employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plan were held in trust, as described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan and the assets may not be diverted to any other use. The Administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement 32, plan balances and activities are not reflected in the City's financial statements. The City does not make any contributions under the agreement.

### (11) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.



# CITY OF BRITT

## Notes to Financial Statements

June 30, 2020

### City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$-0- of property tax under the urban renewal and economic development projects.

### **(12) Contract Commitments**

The City entered into contracts for watermain improvements totaling \$354,498 at June 30, 2020. Proposed construction of water treatment project plans are ongoing with real estate purchased for site. The City purchased the Britt Country Club Golf Course for \$172,052 to be paid in four annual installments of \$43,013.

## OTHER INFORMATION

City of Britt

Budgetary Comparison Schedule  
of Receipts, Disbursements, and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 1,016,801		1,016,801	1,027,501	1,026,856	(10,055)
Other city tax	271,912		271,912	224,741	257,386	14,526
Licenses and permits	18,616		18,616	5,825	5,825	12,791
Use of money and property	21,375	12,435	33,810	33,699	33,699	111
Intergovernmental	345,785		345,785	364,775	364,775	(18,990)
Charges for services	161,615	626,606	788,221	1,092,561	1,092,561	(304,340)
Special assessment	18,620		18,620	20,157	20,157	(1,537)
Miscellaneous	88,185		88,185	23,400	23,400	64,785
Total receipts	1,942,909	639,041	2,581,950	2,792,659	2,824,659	(242,709)
Disbursements:						
Public safety	385,937		385,937	405,230	405,230	19,293
Public works	451,003		451,003	452,539	452,539	1,536
Health and social services	5,300		5,300			(5,300)
Culture and recreation	215,963		215,963	256,725	256,725	40,762
Community and economic development	135,984		135,984	162,431	162,431	26,447
General government	238,656		238,656	231,760	236,760	(1,896)
Debt service	412,459		412,459	413,388	413,388	929
Capital projects	49,727		49,727	35,000	103,000	53,273
Business type activities		444,008	444,008	870,540	875,540	431,532
Total disbursements	1,895,029	444,008	2,339,037	2,827,613	2,905,613	566,576
Excess (deficiency) of receipts over (under) disbursements	47,880	195,033	242,913	(34,954)	(80,954)	323,867
Other financing sources net	70,000	(70,000)				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	117,880	125,033	242,913	(34,954)	(80,954)	323,867
Balances beginning of year	1,408,989	955,094	2,364,083	2,232,144	2,232,144	131,939
Cash balances end of year	\$ 1,526,869	1,080,127	2,606,996	2,197,190	2,151,190	455,806

See accompanying independent auditor's report.



City of Britt

Notes to Other Information – Budgetary Reporting

June 30, 2020

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budget disbursements by \$78,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020 the City exceeded the amounts budgeted in the health and social services and general government functions.

City of Britt  
Schedule of City Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Six Fiscal Years

Other Information

	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.0043448%	0.0041411%	0.0044274%	0.0041557%	0.0035066%	0.0031699%
City's proportionate share of the net pension liability	\$ 251,590	262,061	294,921	261,532	173,243	125,717
City's covered payroll	\$ 559,881	554,587	530,412	446,419	433,407	406,125
City's proportionate share of the net pension liability as a percentage of its covered payroll	44.94%	47.25%	55.60%	58.58%	39.98%	30.96%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Britt  
Schedule of City Contributions

Iowa Public Employees' Retirement System  
Last 10 Fiscal Years

Other Information

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Statutorily required contribution	\$ 54,232	54,521	51,726	49,297	41,314	40,676	37,981	37,195	32,188	28,025
Contributions in relation to the statutorily required contribution	(54,232)	(54,521)	(51,726)	(49,297)	(41,314)	(40,676)	(37,981)	(37,195)	(32,188)	(28,025)
Contribution deficiency (excess)										
City's covered payroll	\$563,679	559,881	554,587	530,412	446,419	433,407	406,125	404,846	369,218	352,638
Contributions as a percentage of covered payroll	9.62%	9.74%	9.33%	9.29%	9.25%	9.39%	9.35%	9.19%	8.72%	7.95%

See accompanying independent auditor's report.



City of Britt  
Notes to Other Information – Pension Liability  
Year ended June 30, 2020

Changes of benefit terms:

There is no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00 % to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

## SUPPLEMENTARY INFORMATION

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue					
	Housing Rehabilitation	Revolving Loan	Employee Benefits	Capital Improvement Reserve	Emergency	Sunset Ridge
						Total
Receipts:						
Property tax			\$ 120,599	24,318	14,912	159,829
Intergovernmental			5,727		710	6,437
Miscellaneous		20,281				20,281
Total receipts		20,281	126,326	24,318	15,622	186,547
Disbursements:						
Public safety			72,455			72,455
Public works			39,901			39,901
Culture and recreation			14,783			14,783
Community and economic development		36,537	988			37,525
General government			25,393			25,393
Total disbursements		36,537	153,520			190,057
Excess (deficiency) of receipts over (under) disbursements		(16,256)	(27,194)	24,318	15,622	(3,510)
Other financing sources (uses):						
Transfers in			38,691			38,691
Transfers out					(15,622)	(15,622)
Total other financing sources (uses)			38,691		(15,622)	23,069
Change in cash balances		(16,256)	11,497	24,318		19,559
Cash balances beginning of year	\$ 45,706	85,104		14,721		230,309
Cash balances end of year	\$ 45,706	68,848	11,497	39,039		249,868
<b>Cash Basis Fund Balances</b>						
Restricted for other purposes	\$ 45,706	68,848	11,497	39,039		165,090
Unassigned					84,778	84,778
Total Cash Basis Fund Balances	\$ 45,706	68,848	11,497	39,039	84,778	249,868

See accompanying independent auditor's report.



## City of Britt

## Schedule of Indebtedness

Year ended June 30, 2020

Obligation	Date of Issue	Interest Rate	Amount Originally Issued	Balance Beginning of Year	Issued During the Year	Redeemed During Year	Balance End of Year	Interest Paid
General Obligation Bonds:								
First Street	9-29-11	.95-3.70%	\$ 930,000	425,000		80,000	345,000	14,253
Refunding Capital Loan Notes,								
Series 2012	5-22-12	.60-2.25	1,290,000	395,000		130,000	265,000	8,043
Street Improvement	9-18-12	.75-2.55	222,000	98,000		18,000	80,000	2,157
Capital loan notes								
Series 2017	5-4-17	1.5-4.0	860,000	695,000		115,000	580,000	21,397
Urban Renewal								
Bonds, Series 2018	10-16-18	2.5-3.25	800,000	800,000			800,000	23,310
Total				\$ 2,413,000	-	343,000	2,070,000	69,160

See accompanying independent auditor's report.

City of Britt  
Bond and Note Maturities

June 30, 2020

	General Obligation Bond										
	Street Improvement		1st Street		Refunding Capital Loan		Capital Loan Notes		Urban Renewal Bonds		
	Issued		Issued		Notes, Series 2012		Series 2017		Series 2018		
Year	September 18, 2012		September 29, 2011		Issued May 7, 2012		Issued May 4, 2017		Issued October 16, 2018		
Ending	Interest		Interest		Interest		Interest		Interest		
June 30,	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total
2021	1.95%	\$ 19,000	3.15%	\$ 80,000	2.00%	\$ 130,000	2.30	\$ 60,000	2.50%	\$ 70,000	359,000
2022	1.95	20,000	3.35	85,000	2.25	135,000	2.50	60,000	2.50	70,000	370,000
2023	2.55	20,000	3.55	90,000			2.70	60,000	2.70	75,000	245,000
2024	2.55	21,000	3.70	90,000			3.00	60,000	2.70	75,000	246,000
2025							3.20	65,000	2.90	80,000	145,000
2026							3.40	65,000	2.90	80,000	145,000
2027							3.70	70,000	3.10	85,000	155,000
2028							3.90	70,000	3.10	85,000	155,000
2029							4.00	70,000	3.25	90,000	160,000
2030									3.25	90,000	90,000
Total		\$ 80,000		\$ 345,000		\$ 265,000		\$ 580,000		\$ 800,000	2,070,000

See accompanying independent auditor's report.

## City of Britt

Schedule of Receipts by Source and Disbursements by Function -  
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Receipts:</b>										
Property tax	\$ 1,016,801	946,992	939,589	889,941	867,141	847,314	844,793	813,705	750,512	725,597
Other city tax	271,912	230,388	186,844	168,813	148,041	217,647	171,493	173,672	165,470	125,675
Licenses and permits	18,616	16,638	13,841	17,526	20,617	19,702	19,735	21,935	22,367	6,514
Use of money and property	21,375	36,368	13,335	10,407	10,078	15,577	16,095	18,564	19,523	31,936
Intergovernmental	345,785	397,960	328,334	465,283	539,987	273,764	263,004	253,846	460,413	1,325,123
Charges for service	161,615	197,434	181,069	181,196	188,113	182,032	172,293	74,879	64,542	112,807
Special assessments	18,620	28,449	23,057	32,336	26,110	29,711	26,610	27,171	71,895	
Miscellaneous	88,185	89,984	197,586	103,574	143,119	59,755	54,391	63,713	109,606	56,279
<b>Total</b>	<b>\$ 1,942,909</b>	<b>1,944,213</b>	<b>1,883,655</b>	<b>1,869,076</b>	<b>1,943,206</b>	<b>1,645,502</b>	<b>1,568,414</b>	<b>1,447,485</b>	<b>1,664,328</b>	<b>2,383,931</b>
<b>Disbursements:</b>										
<b>Operating:</b>										
Public safety	\$ 385,937	421,642	400,194	450,576	281,063	346,350	322,187	280,695	289,096	240,802
Public works	451,003	516,980	509,917	360,641	376,520	442,368	348,656	365,894	233,872	197,451
Health and social services	5,300	5,300	5,300	5,145	4,995	6,200	4,950	5,500	5,000	3,570
Culture and recreation	215,963	267,917	197,714	198,054	200,500	230,639	229,912	208,234	212,764	219,759
Community and economic development	135,984	104,911	142,863	324,652	836,665	154,977	45,926	75,252	31,800	68,488
General government	238,656	259,797	135,161	198,736	233,560	233,682	283,279	185,002	202,454	174,926
Debt service	412,459	344,236	381,939	354,640	348,287	1,211,302	373,259	776,486	273,163	251,038
Capital projects	49,727	673,464	676,732	278,353				290,084	1,643,905	1,317,184
<b>Total</b>	<b>\$ 1,895,029</b>	<b>2,594,247</b>	<b>2,449,820</b>	<b>2,170,797</b>	<b>2,281,590</b>	<b>2,625,518</b>	<b>1,608,169</b>	<b>2,187,147</b>	<b>2,892,054</b>	<b>2,473,218</b>

See accompanying independent auditor's report.



# Fort & Schlegel C.P.A., P.C.

## CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Britt, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 29, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Britt's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Britt's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Britt's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Britt's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-20 to be a material weakness.

800 1st Ave. S  
Fort Dodge, IA  
515.955.5560

3131 Main St.  
Emmetsburg, IA  
712.852.4464

109 2nd St. NE  
Mason City, IA  
641.423.7155

516 N. Water St.  
Goldfield, IA  
515.825.3339

4 Main Ave. S  
Britt, IA  
641.843.3729

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-20 through I-C-20 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Britt's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Britt's Responses to Findings

City of Britt's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Britt's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Britt during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

March 29, 2021



Fort & Schlegel C.P.A., P.C.  
Britt, Iowa



City of Britt  
Schedule of Findings  
Year ended June 30, 2020

Part I: Findings Related to the Financial Statements:

**Internal Control Deficiencies:**

**I-A-20 Segregation of Duties**

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals may have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performing all general accounting functions, including journal entries and have custody of assets.
- (2) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (3) Receipts – collecting, depositing, posting and reconciling.
- (4) Utilities – billing, collecting, depositing, posting, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (5) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll - entering rates into the system, recordkeeping, preparing, and distributing.
- (7) Journal Entries – preparing and journalizing.
- (8) Financial reporting – preparing and reconciling.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.



City of Britt  
Schedule of Findings  
Year ended June 30, 2020

Part I: Findings Related to the Financial Statements (continued):

Effect – Inadequate segregation of duties could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We have reviewed procedures and will look at improvements.

Conclusion – Response accepted.

I-B-20 Accounting Policies and Procedures Manual – The City does not have an accounting policies and procedures manual.

Criteria – Accounting policies and procedures manuals provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so that they will not have to be made each time the same, or similar, situation arises.

Condition – The City does not have a current accounting policies and procedures manual.

Cause – Adoption of an accounting policies and procedures manual has not been prioritized by the City.

Effect – Lack of an accounting policies and procedures manual could result in a lack of ability to continue operating effectively and efficiently in the event there is accounting staff turnover. It was noted that new Deputy Clerk was not aware of certain requirements and reports until our audit.

Recommendation – An accounting policies and procedures manual should be developed for the City.

Response – We agree with this recommendation and will investigate.

Conclusion – Response accepted.

City of Britt

Schedule of Findings

Year ended June 30, 2020

Part I: Findings Related to the Financial Statements (continued):

I-C-20 Monthly City Clerk's Report

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management to effectively perform their fiduciary responsibilities related to city financial management.

Condition – Bank reconciliations were not performed timely therefore the monthly City Clerk's report presented to the City Council does not provide an accurate comparison of total disbursements to the certified budget by function.

Cause – Policies have not been established and procedures have not been implemented which require the City Clerk to provide the City Council with the required financial information to properly perform their duties.

Effect – The City Council may not have effective control over budgeted disbursements and the ability to amend the budget on a timely basis. In addition, City Council may not be aware of deficit fund balances.

Recommendation – The City Clerk should prepare bank reconciliations timely for the monthly City Clerk's report which includes comparisons of total disbursements by function to the certified budget.

Response – We agree with this recommendation and are working on doing reconciliations timely.

Conclusion – Response accepted.

**Instances of Non-compliance:**

No matters were noted.

City of Britt

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting:

II-A-20 Certified Budget – Disbursements during the year ended June 30, 2020 exceed the amounts budgeted in the health and social services and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-20 Questionable Disbursements – We noted no disbursements that do not meet the requirements of public purpose as defined in Attorney General’s opinion dated April 25, 1979.

II-C-20 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-20 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Jane Swenson, Treasurer, Owner Swenson's Hardware	Supplies	\$ 8,655

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Treasurer Swenson may represent a conflict of interest since a competitive bidding process was not utilized for all transactions and the total of the transactions were in excess of \$6,000.

II-E-20 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

II-G-20 Council Minutes – Certain transactions were found that we believe should have been approved in the Council minutes but were not.



City of Britt

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting (continued):

Although minutes of City Council proceedings were published, they did not include total disbursements from each fund and a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa and publish minutes including all required information and approve all disbursements.

Response - We will publish minutes as required with the required information and approve all disbursements. Subsequent to June 30, 2020 the Clerk is publishing required minutes.

Conclusion – Response accepted.

II-H-20 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-20 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-J-20 Annual Financial Report – The City completed and filed its June 30, 2020 AFR by December 1 as required by Chapter 384.22 of the Code of Iowa. However, the cash balance does not agree to the City's cash balance as recorded on the City's accounting records.

Recommendation – The City should reconcile the Annual Financial Report to the City's records before submission.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

II-K-20 Sales Tax – During our review of disbursements it was noted that sales tax was paid on multiple invoices.

Recommendation – The City should not be paying sales tax on any purchases when it is not required.

Response – The City will be more diligent in not paying sales tax.

Conclusion – Response accepted.

City of Britt

Schedule of Findings

Year ended June 30, 2020

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-L-20 Utility Reconciliation – The City has not been reconciling the utility accounts.

Recommendation – Monthly reconciliations of billed to collected amounts should be done.

Response – The City will do monthly reconciliations.

Conclusion – Response accepted.

II-M-20 Posting of Financial Transactions – Receipts and disbursements were not always posted to the correct accounts, and funds received and disbursed for the City's K-9 unit were not recorded in the City's records.

Recommendation – More care should be exercised when posting transactions to reduce the incidence of mispostings, and the City should record all transactions.

Response – In the future, more care will be exercised when posting transactions and will record all transactions.

Conclusion – Response accepted.